Support for Farmers' Cooperatives

Sector Report
Wine

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European
Commission

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Sector Report **Olives**

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Preface and acknowledgements

In order to foster the competitiveness of the food supply chain, the European Commission is committed to promote and facilitate the restructuring and consolidation of the agricultural sector by encouraging the creation of voluntary agricultural producer organisations. To support the policy making process DG Agriculture and Rural Development has launched a large study, "Support for Farmers' Cooperatives (SFC)", that will provide insights on successful cooperatives and producer organisations as well as on effective support measures for these organisations. These insights can be used by farmers themselves, in setting up and strengthening their collective organisation, and by the European Commission in its effort to encourage the creation of agricultural producer organisations in the EU.

Within the framework of the SFC project this sector report on cooperatives in the wine sector in the EU has been written.

Data collection for this report has been done in the summer of 2011.

In addition to this report, the SFC project has delivered 7 other sector reports, 27 country reports, 6 EU synthesis and comparative analysis reports, 33 case studies, a report on cluster analysis, a report on the development of agricultural cooperatives and relevant policy measures in other OECD countries, and a final report.

Table of Contents

1 Introduction

1.1 Objective of the study

The imbalances in bargaining power between the contracting parties in the food supply chain have drawn much attention, also from policy makers. The European Commission is committed to facilitate the restructuring of the sector by encouraging the creation of voluntary agricultural producer organisations. DG Agriculture and Rural Development has launched a large study, "Support for Farmers' Co-operatives", that will provide the background knowledge that will help farmers organise themselves in co-operatives as a tool to consolidate their market orientation and so generate a solid market income**.** In the framework of this study, this report provides the relevant knowledge from the wine sector.

In this context, the specific objectives of the project, and this sector report, are the following:

First, to provide a comprehensive description of the current level of development of co-operatives and other forms of producer organisations in the wine sector. The description presented in this report will pay special attention to the following drivers and constraints for the development of co-operatives:

- Economic and fiscal incentives or disincentives and other public support measures at regional and national;
- Legal aspects, including those related to competition law and tax law;
- Historical, cultural and sociologically relevant aspects;
- The relationship between co-operatives/POs and the actors of the food chain;
- Internal governance of the co-operatives/POs.

Second, identify laws and regulations that enable or constrain co-operative development and third, to identify specific support measures and initiatives which have proved to be effective and efficient for promoting co-operatives and other forms of producer organisations in the agricultural sector in wine.

1.2 Analytical framework

There are at least three main factors that determine the success of co-operatives in current food chains. These factors relate to (a) position in the food supply chain, (b) internal governance, and (c) the institutional environment. The position of the co-operative in the food supply chain refers to the competitiveness of the co-operative vis-à-vis its customers, such as processors, wholesalers and retailers. The internal governance refers to its decision-making processes, the role of the different governing bodies, and the allocation of control rights to the management (and the agency problems that goes with delegation of decision rights). The institutional environment refers to the social, cultural, political and legal context in which the co-operative is operating, and which may have a supporting or constraining effect on the performance of the co-operative. Those three factors constitute the three building blocks of the analytical framework applied in this study (Figure 1).

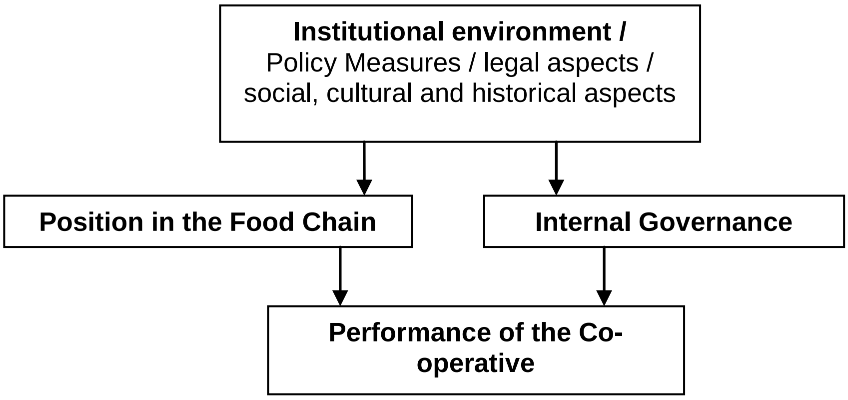


Figure 1. The core concepts of the study and their interrelatedness

1.3 Definition of the co-operative

In this study on co-operatives and policy measures we have used the following definition of co-operatives and Producer Organisations (POs). A co-operative/PO is an enterprise characterized by user-ownership, user-control and user-benefit:

- It is user-owned because the users of the services of the co-operative/PO also own the co-operative organisation; ownership means that the users are the main providers of the equity capital in the organisation;
- It is user-controlled because the users of the services of the co-operative/PO are also the ones that decide on the strategies and policies of the organisation;
- It is for user-benefit, because all the benefits of the co-operative are distributed to its users on the basis of their use; thus, individual benefit is in proportion to individual use.

This definition of co-operatives and POs (from now on shortened in the text as co-operatives) includes co-operatives of co-operatives and associations of producer organisation (often called federated or secondary co-operatives).

1.4 Method of data collection

This sector report is mainly based on the fact finding in 27 country reports, that were made earlier in this project, one per member state. In addition an inventory of policy measures at EU level was used. For these country reports multiple sources of information have been used, such as databases, interviews, corporate documents, academic and trade journal articles. The databases used are Amadeus, FADN, Eurostat and a database from DG Agri on the producer organisations in the fruit and vegetable sector. Also data provided by Copa-Cogeca has been used. In addition, information on individual co-operatives has been collected by studying annual reports, other corporate publications and websites. Interviews have been conducted with representatives of national associations of co-operatives, managers and board members of individual co-operatives, and academic or professional experts on co-operatives.

1.5 Period under study

This report covers the period from 2000 to 2010 and presents the most up-to-date information. This refers to both the factual data that has been collected and the literature that has been reviewed. For member states that joined in 2004 and 2007 the focus is on the post-accession period.

2 Statistics on the evolution and position of agriculture

2.1 Special characteristics of the sector due to character of the product and the influence of the Common Agricultural Policy

The European wine sector is very diversified, not only in terms of the structure and characteristics of the wine holdings but also of the type and characteristics of the wine produced. The observed differences are attributed to the wine making processes, grape growing methods, soil, regional, and geographical characteristics. Besides these however, the uniqueness of the final product is fundamentally influenced by man-made regulations.

Since the 2008 wine reform, wines are classified into the following categories: wines with or without protected designation of origin (PDO) or geographical indication (PGI). Labeling provisions are included in EU Regulations 479/2008 (replaced by 491/2009 amending the Single Market Regulation 1234/2007) and 607/2009 (as amended by Commission Implementing Regulation (EU) No 670/2011). The labelling rules introduced under the new legislation permit wines without a PDO or PGI status to indicate the grape variety on the label. Thus, within each member state different denominations and varieties give rise to differentiated products.

Besides the value of the final product, vineyards are an indispensable part of the agricultural landscape as they contribute to its preservation and prevent land abandonment as they ensure some economic activity in the wine growing areas.

The past few decades have been characterised by continued decline in wine production and consumption in the traditional wine producing (and consuming) EU countries, especially France, Italy and Spain. The main trends in the wine sectors of these three European countries influence the international wine markets as these countries produce about half and consume around 30% of the wine in the world.

The competitive environment for European wines is changing as new regulations and taxation laws are emerging worldwide. An important issue that may raise concerns among EU wine makers is the introduction of alcohol labelling or taxation policies by countries around the world, as part of their health policies. This type of legislation may have an adverse effect on consumption and could create the need to explore new markets, and provide differentiated products to broad the consumer base and maintain demand. The European wine market has undergone through the 2004 oversupply of wine on world markets and has been suffering the aftermath of the world economic crisis that started in 2008. The reform of the EU Common Market Organisation (CMO) for Wine was finally adopted in April 2008 (Commission Regulation (EC) 479/2008). The policy changes brought by the new CMO for wine are intended to ensure that production meets demand and eliminate overproduction, in order to enhance the competitiveness of European wines in the world market. An important aspect of the new CMO is that a “National Envelope” has been allocated to each member-state in order to create individual support plans that better fit the particularities of each country.

Furthermore, the rural development measures-- as foreseen in Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural development--will benefit young wine producers and producers’ organisations. On the other hand, “grubbing-up”, the removal of wine-grape vineyards from production, is bound to attract relatively low yield areas that produce low-price/ low-quality wines. So far this measure has reached the desired target. Total EU-27 wine production in 2011 is still preliminarily estimated at 156 Mhl, down 3.5 percent from the previous marketing year. Sharp production decreases in Germany, Romania, and Hungary and small decreases in France, Italy, and Spain were only partly offset by a significantly higher production in Portugal. This decrease in production is not attributed to grubbing-up alone, but also to the implementation of the restructuring and conversion measure, aiming to increase the competitiveness of wine producers, which will eventually lead to an increase of production in few years. A decrease from a year to another may also be due to climatic conditions.

2.2 Share of the sector in agriculture and in National Product

As shown in Figure 2, during the period 2000-2010 the total output of the wine sector ranges around 15 and 18 billion Euros. According to Eurostat this accounts for 8-10% of the total value of crop output in the EU-27. In the years 2000, 2004, 2008 and 2009, the total output was higher than 16 billion Euros. Especially in the year 2004, the total output was the highest (it approaches 18 billions Euros). The main wine producing countries in the EU-27 are France and Italy, followed by Spain, Germany and Portugal. The leading country in terms of value within EU-27 is France since its wine sector accounts for almost 50% of the total value of the EU wine output.

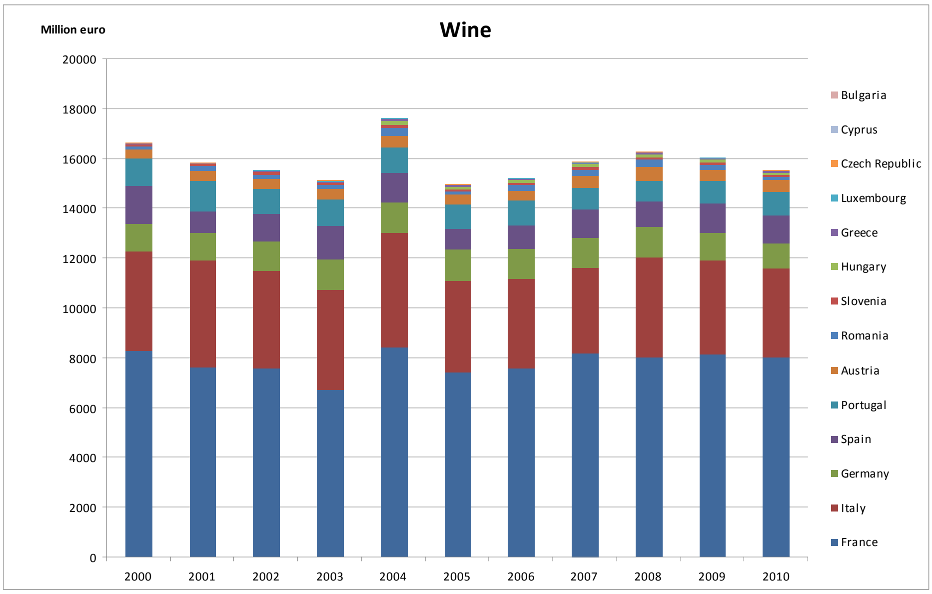


Figure 2 Trend in output per country "2001" - "2009". Source: Economic Accounts of Agriculture, Eurostat.

Figure 3 depicts the change in production values for the wine sector per country in the period 2000-2009. The Czech Republic has the highest growth rate per year (almost 8%). Slovenia, Romania, Greece and Austria also experience a high growth rate (above 2%). On the other hand, Portugal has a negative growth rate of around 2%. Luxemburg, Italy and Germany and Spain also experience a negative growth rate per year while the output value of the wine sector has been slightly increasing in France.

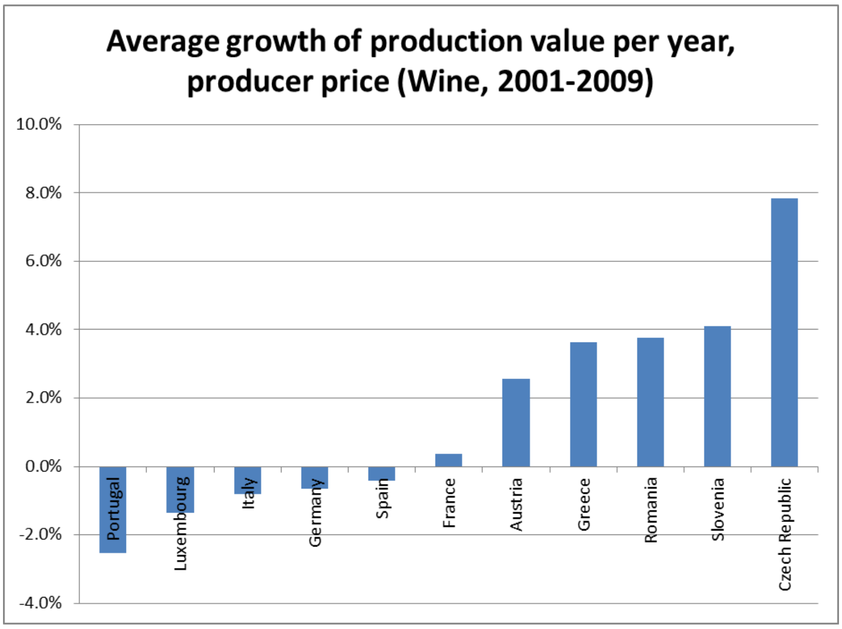


Figure 3 Change in production value per year, per country. Source: Eurostat Economic Accounts.

2.3 Development in the number of farms

The number of farms in the wine sector is given in Table 1 and Graph 3. Table 1 indicates that between the years 2000 and 2007, there was a significant increase in the total number of farms in some countries, especially Spain and Austria. This fact coupled with the steady decline in the number of agricultural holdings across the EU-27 as a whole[1], signals the relative importance of the sector. On the other hand, Germany, France, Luxembourg and Portugal experienced a decrease in the total number of farms which in the case of Portugal reached 15.2%.

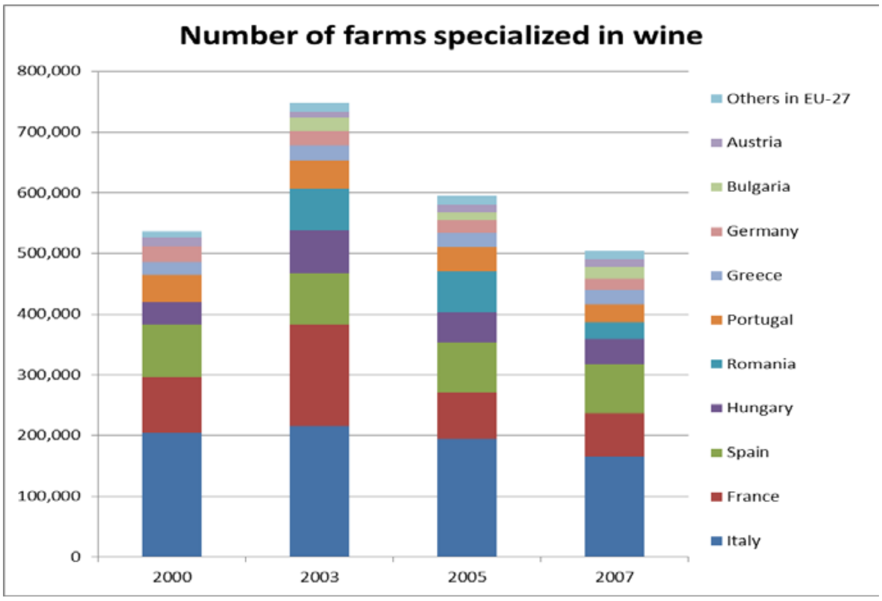
Table 1 Number of farms specialized in wine, 2000 and 2007

Country	2000	2007	Average change per year
Bulgaria	n/a*	1260	
Cyprus	n/a	620	
Czech Republic	n/a	860	
Germany	9290	7540	-2.9%
Greece	11960	13460	1.7%
Spain	27180	55240	10.7%
France	55640	51270	-1.2%
Hungary	n/a	6010	
Italy	69310	76960	1.5%
Luxembourg	210	200	-0.7%
Malta	n/a	10	
Austria	4240	7370	8.2%
Portugal	45100	14180	-15.2%
Romania	n/a	3870	
Slovakia	n/a	10	
Slovenia	n/a	1620	

[1] According to Eurostat's Farm Structure survey, during the period between 2003 and 2007, the number of agricultural holdings in the EU-27 declined by 1.3 million (or 8.8 %), of which almost half were commercial holdings.

*n/a: non available. Source: Eurostat, Farm Structure Survey.

As indicated in Graph 3, the number of farms specialized in wine reaches the highest value in 2003 (about 750,000 farms). This is the result of the increase in the total number of farms in the main wine producing countries like France and Italy, but also the result of the increase in the number of farms in other countries (e.g. Hungary and Romania). After 2003, the number of farms decreased to 500,000 farms in 2007.



Graph 3 Number of specialised farms per country. Source: Eurostat Farm Structure Survey

Size of farms

Farms come in different sizes from small part-time farms to large holdings. Graph 4 shows the distribution of farms per size class, measured in European Size Units (ESU) per country and for the EU in total. In general, North Sea countries have a higher farm size average compared to Central Europe and Mediterranean countries. Among them, France stands out as more than 40% of the wine farms are above 40 ESU, while almost 20% are larger than 100 ESU. In the case of Germany, there is a more even distribution among smaller and larger farms, since over 40% of the farms range between 2 to 8 ESU while another 40% are larger than 16 ESU. Worth noting is the presence of UK in the graph, which has a small production of mainly white wines. According to UK's Department for Environment, Food and Rural Affairs (DEFRA)[2] the vine area in the UK is expanding rapidly, currently occupying 1,324 ha of planted vines.

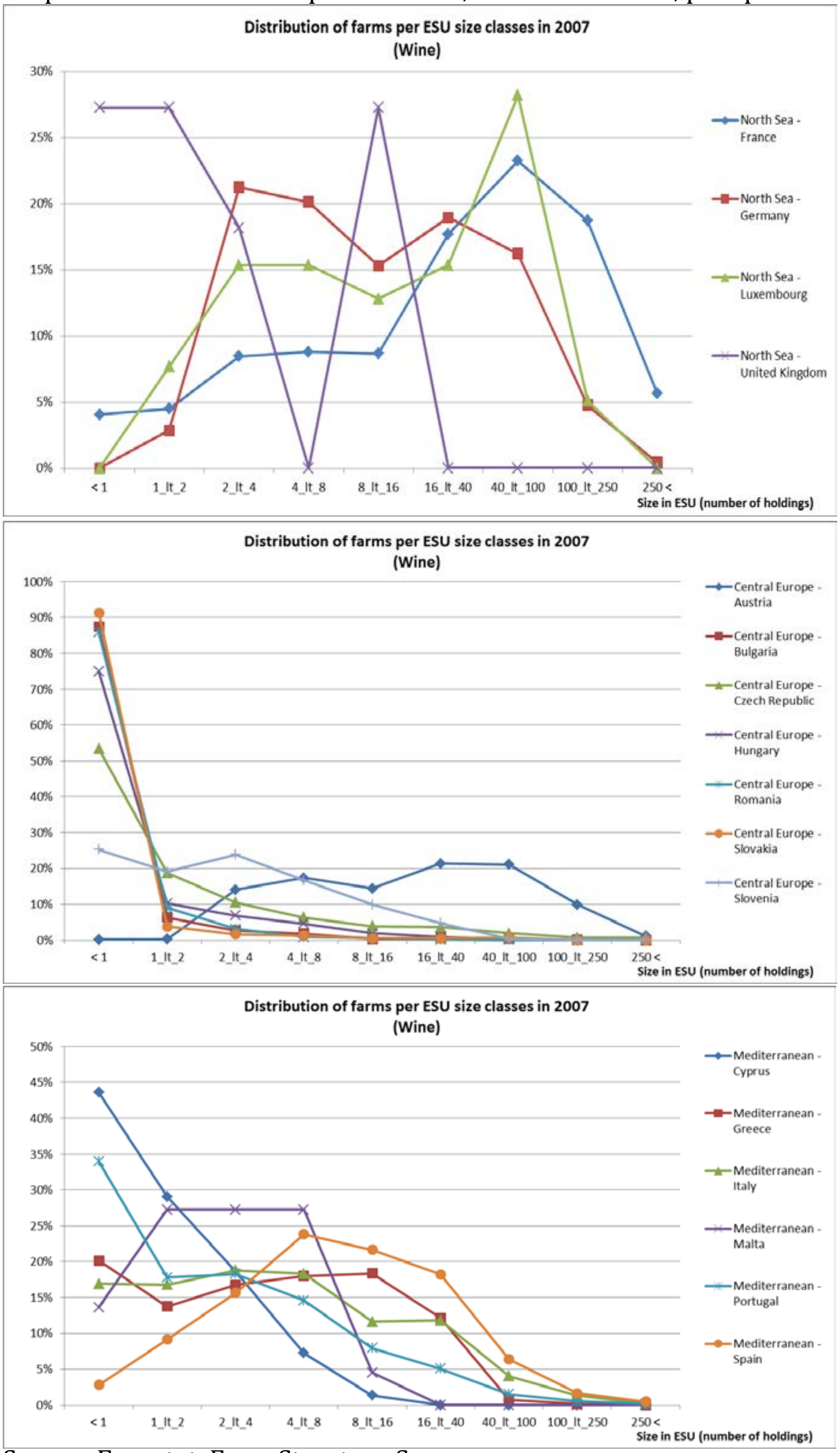
The economic size of farms specialising in wine and located in Central Europe ranges from less than 1 to 4 ESU. The exception to this rule is Austria where farms are almost evenly distributed among different sizes, ranging from 2 to 250 ESU.

Finally, Mediterranean countries have smaller farm sizes compared to North Sea countries, but higher than Central Europe countries. Cyprus has the largest number of small-sized holdings, since almost 70% of the farms are smaller than 2 ESU. The graphs depict the long-lasting and profound restructuring process that took place in the European wine sector over the years, leading to a more even distribution of farm sizes within the different European regions. The new EU members (see graph 4 Central Europe) have been substantially benefited from the restructuring measures that were offered to wine farmers as a means to restoring their vineyard

[2] http://www.defra.gov.uk/food-farm/food/food-industry/wine-industry

areas and create economically viable wine farms. The results of the restructuring process however, have not been fully realised yet.

Graph 4 Number of farms per size class, measured in ESU, per specialist type of farm



Source: Eurostat, Farm Structure Survey.

Specialisation of farm production

Co-operatives might not only have member-farmers with different farm sizes or different ages. Farms also have a different composition of their production. The heterogeneity of farming in terms of specialisation can be estimated by calculating the share that specialized farms have in the total production. This is what Graph 5 shows.

The main conclusion from Graph 5 is that, in all the wine producing countries of the EU, the wine sector is characterized by low specialisation since less than 6% of the total vineyard area belongs to specialized wine farms. Italy and Portugal exhibit a higher degree of specialization when compared to the rest of the EU wine producing countries, although even in these two countries grape production that comes from wine-specialized farms does not exceed 5% of the total cultivated area. On the other end of the graph with even lower degree of specialization we find countries like Czech Republic, Slovakia, Romania, Germany and Bulgaria.

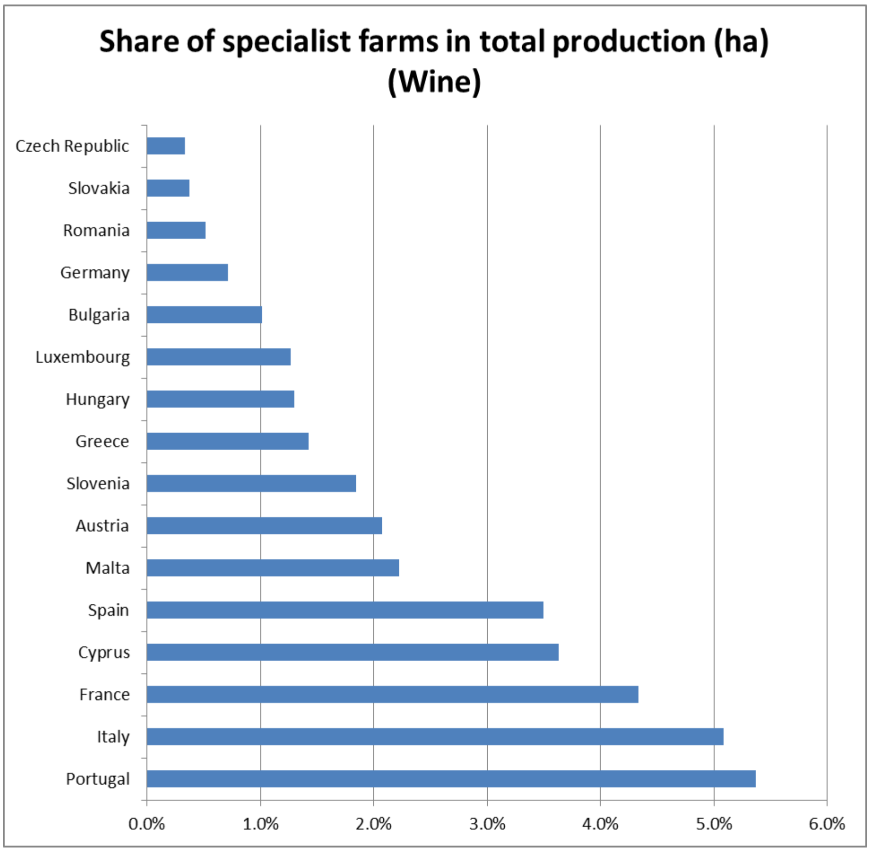


Figure 6 Heterogeneity in farm production: the share of specialist farm types in total production. Source: Eurostat, Farm Structure Survey

2.4 Economic indicators of farms

The description of agriculture is concluded with some economic indicators (Table 2). These indicators focus on the net value added and income from farming for farmers, as well as the level of their investment. Some of this investment might be in equity of the co-operatives, but far the most will be in farm assets.

As shown in Table 2, Cyprus has the smaller farms in terms of economic size and total utilised agricultural area. On the other hand, farms in Greece and Portugal are characterised by low total assets and net worth. Farms in Luxemburg, Germany, France and Austria are characterised by high economic size, total assets and net worth.

In the Czech Republic and Austria, the totally utilised agricultural area is quite high, which might explain the high total subsidies received by farms. Farms in Italy are characterised by very high negative net investment and low gross investment, which might be an indication of the decline of the wine sector.

Table 2 Economic indicators for farms (2007-2009)

Wine	Bulgaria	Cyprus	Czech Republic	Germany	Greece	Spain	France	Hungary
Economic size - ESU	14.10	4.85	49.73	57.67	11.10	22.00	101.37	7.13
Total labour input - AWU	5.41	0.77	3.79	2.51	1.25	1.33	2.51	2.46
Total Utilised Agricultural Area (ha)	22.47	3.73	25.29	12.24	3.90	19.62	20.51	7.18
Total output €	35,301	5,796	70,392	135,061	19,637	28,755	166,502	46,927
Farm Net Value Added €	13,249	2,759	33,829	67,674	15,721	19,783	86,560	14,659
Farm Net Income €	839	1,798	18,229	45,365	13,573	15,353	43,183	5,836
Total assets €	166,175	120,059	266,782	530,816	88,292	194,205	498,845	122,886
Net worth €	104,172	119,232	205,189	442,482	88,142	189,716	349,942	87,682
Gross Investment €	27,252	414	11,683	18,413	546	1,926	16,144	2,542
Net Investment €	18,771	-2,097	-791	735	-2,597	-963	-3,284	-2,964
Total subsidies - excl.on investm. €	4,026	2,807	12,765	2,737	4,334	1,347	3,474	2,836
Farms represented	1,080	900	907	7,540	13,733	53,783	51,277	6,527

Wine	Italy	Luxembourg	Malta	Austria	Portugal	Romania	Slovakia	Slovenia
Economic size - ESU	25.27	67.23	-	64.33	9.40	8.05	-	7.33
Total labour input - AWU	1.53	2.26	-	1.69	1.57	4.23	-	2.03
Total Utilised Agricultural Area (ha)	8.86	10.44	-	20.18	8.10	15.16	-	5.27
Total output €	62,798	132,135	-	65,756	16,605	47,261	-	25,656
Farm Net Value Added €	39,119	70,649	-	35,877	8,936	29,776	-	12,022
Farm Net Income €	29,799	43,039	-	27,335	5,584	11,388	-	10,525
Total assets €	363,265	710,490	-	314,006	82,638	174,646	-	165,463
Net worth €	357,250	589,500	-	274,196	80,646	163,922	-	161,663
Gross Investment €	2,830	38,080	-	16,257	2,227	1,496	-	11,208
Net Investment €	-6,396	14,765	-	3,611	-1,778	-4,032	-	4,986
Total subsidies - excl.on investm. €	1,221	7,966	-	11,875	1,606	2,181	-	2,245
Farms represented	77,240	200	13	7,370	13,930	4,475	13	1,627

Source: DG Agri, FADN.

Farms in Greece are characterised by low totally utilised agricultural area, total assets and net worth, which is also the case in Portugal. On the other hand, farms in France, Luxemburg and Germany are characterised by large farms in terms of economic size, total assets and net worth. This might explain the high farm income of the wine sector in these countries. Finally, farms in Bulgaria are characterised by higher gross and net investment compared to the other wine producing countries of the EU. This fact indicates the development of the wine sector in this country.

Overall, EU wine producing countries can be categorized into the following groups:

Group 1 includes Cyprus, Greece, Portugal and Romania. This group is characterized by small farms both in terms of area as well as economic size, with low labour inputs, and net income. These trends accompanied with low total assets and negative net investments, indicate that wine farms in these countries are less dynamic and lag behind in commercial orientation.

Group 2 consists of Germany, France, Luxembourg, the Czech Republic and Austria. In this group, vineyard holdings are larger—both in terms of physical as well as economic size. The economic indicators reveal that the group consists predominately by countries with commercial and professional wine farms.

Spain and Italy belong to Group 3 which includes farms with moderate economic size, total assets, net worth and net income.

Finally Group 4 includes Bulgaria and Slovenia. Wine farms in these two countries demonstrate a dynamic nature, and a substantial potential to become commercially oriented professional farms.

A concluding comment may be that throughout Europe large differences in the organisational and financial structure of wine farms are observed. Due to these differences, it should be expected that the wine sector in Europe will not perform uniformly to policy changes and therefore, tailored measures that address specific issues may prove to be more effective.

3 The evolution and position of co-operatives and their performance

3.1 Description of the food chain issues in the sector

The European Union is the leading producer, consumer and trader of wine globally. According to data from Copa-Cogeca, it accounts for approximately 45% of the vine growing area and 65% of wine production while 17 of the 27 Member States are wine producing-countries. It is worth noting that European viniculture is characterized by a large number of small-sized holdings each employing limited, mainly seasonally salaried personnel.

Wine practitioners often talk about the "European wine crisis" mainly because of price falls and growth of wine surpluses. Over the past ten years, the European wine industry is in turmoil due to globalization, which encourages new entrants in the global market, the so-called New World wines. The rise in New World imports is linked to trade liberalization agreements. Wines originating from countries such as Argentina, Chile, Australia, or South Africa, have taken advantage of lower tariffs, lower labour cost and economies of scale to penetrate the global market. Their marketing activities, stressing a brand and varieties instead of location proved to be successful in the large supermarkets. At the same time, however, new markets emerged and new opportunities arose for European wine exports. The European wine industry is structured around three types of business organisations: large international multi-beverage firms, large specialized wine-making companies, and small and medium-sized wineries that are involved in both production and sales (Smith, 2008).

Wine co-operatives buy grapes from their members and produce wine which is sold either bottled or in bulk. In some cases individual growers sell their wine in bulk to wholesalers.

This diversity of business models reflects the degree of fragmentation of the wine supply chain throughout Europe. Although there are several vertically integrated wine co-operatives that market and sell their wines both in domestic and international markets, the competitive position of co-operatives in the sector is rather weak. Apart from the challenges facing co-operatives due to Europe's wine crisis, and the pricing strategies adopted by large retailers, the weak competitive positioning of wine co-operatives cannot be attributed to a lack of instruments and incentives provided by policy measures. In an effort to eliminate market disruptions caused by the entrance of New World wines and changes in consumer patterns, European policy on wine uses a combination of incentives and disincentives to boost "quality wines" and thus create a competitive advantage that distinguishes European wines from overseas competitors. However, these instruments have, in some cases (e.g. labelling and certification), created a complicated framework that may have a negative effect on marketing and, eventually, sales[3].

In summary, the most important issues in the European wine chain are:

- Consumption fall within wine producing countries has increased the importance of exports and created the need for wine producers to develop export strategies.
- The GATT agreements have increased competition for export markets.
- Ever since the sharp decline in production levels that followed the European legislation of the 1980s, production has remained relatively constant and has even increased in some regions.
- The increased bargaining power of large retailers and super market chains.

[3] Labeling of European wines has been frequently criticized by retailers and wine merchants as being too complicated and confusing for the average consumer. New World wines, on the other hand, have been credited for being straightforward and easy to understand.

- The relatively weak bargaining position of wine co-operatives in the chain. Co-operatives have a significant market share in many countries however their competitiveness is undermined by their poor financial performance.

3.2 Performance of coops (market shares, growth, other indicators)

Table 3 shows the degree of co-operative penetration in the wine market for each country. Wine co-operatives in Spain have a cumulative market share that reaches almost 70%. This figure may serve as a proxy for co-operatives' ability to gain and retain market shares. However, as mentioned in the country report, "… the commercialization of product from co-operative wineries continues to be quite insignificant compared to the industry in general and represents one of the main problems of co-operative wineries." It suggests that a high percentage of wine sold in bulk is no guarantee for success if co-operatives do not dominate the (branded product) market.

Among the rest of the wine producing countries, co-operatives hold significant market shares in Austria, France, Germany, Italy and Portugal. This fact when coupled with the findings of the economic indicators analysis (chapter 2.4 of this report) may provide an indication for the performance of co-operatives in these regions. Therefore, performance at the wine farm level may not be entirely disconnected to overall co-operative performance.

Table 3 Market Share of Co-operatives in the wine sector

	2000		**2010**		**Comments**
Country	**Number of members**	**Market Share (%)**	**Number of members**	**Market Share (%)**	
Austria		Approx. 20	2,300	15	Market share for first handling (collecting wine from farmers)
Bulgaria	n/a	n/a	n/a	n/a	
Cyprus	n/a	n/a	9,431	10	
Czech Republic	n/a	n/a	Less than 10	8	Actually only 3 co-operatives are identified in the country report
France	900 (120,000 farmers) (2003)	AOC Label Wine 38 Champagne 30 (2003)	715 (84,000 farmers)	AOC Label Wine 38 Champagne 36	
Germany	61,000 farmers	Approx. 35	49,000 farmers	Approx. 33	Market share estimates were provided by experts
Greece	n/a	7	35 (5,486 farmers)	Approx. 15	Data according to Central Co-operative Union for Wines and Vines. The market share numbers refer to bottled wine. In the case of bulk wine co-operatives dominate the market.
Hungary	2,653	6.1	2,325	8.9	
Italy		56		52 (2008)	
Luxemburg	n/a	n/a	n/a	n/a	
Malta	n/a	n/a		70	Local wine grapes
Netherlands	0	0	1 (12 farmers)	n/a	
Portugal	n.a	54 (2003)	n.a.	42 (2009)	Based on data in IVV (Institute of Wine and Vine-Ministry of Agriculture)annual reports
Romania	n/a	n/a	n/a	n/a	
Slovakia	n/a	n/a	n/a	n/a	
Slovenia	4 (2003)		6(2008)		

Spain	715 (167,000 farmers) (2003)	70 (2003)	625 (172,000 farmers) (2008)	70 (2003)	
TOTAL EU	n/a	n/a	n/a	n/a	

Sources: country reports

3.3 Description of largest farmer's co-operatives in the sector

Table 4 provides information on the turnover of European wine co-operatives. Italy, followed by France and Germany, has the largest wine co-operatives in the EU-27. Among them, Riunite & CIV S.C.A, having a turnover of more than € 415 million is the largest wine co-operative. At the EU level, Italian and French co-operatives dominate, while only one German co-operative enters the list of EU's most important co-operatives (Table 5).

Table 4 Most important co-operatives in the wine sector of the EU, per country

Country	Names of Co-operative	Primary (P) - Secondary (S)	Turnover 2010* (million €)
Austria	1. Winzer Krems eG	P	18.07
	2. Domäne Wachau eGen(mbH)	P	11
	3. Winzerkeller Andau und Umgebung reg.Gen.m.b.H.	P	5
	4. Vereinte Winzer Blaufränkischland reg Gen mbH	P	2.5
	5. Genossenschaftsweinkeller reg Gen mbH	P	n/a
Bulgaria	1. Nov jivot(Нов живот)	P	0.3
	2. Grozd(Грозд)	P	0.2
	3. Hristo Botev(Христо Ботев)	P	n/a
Czech	1. Templářské sklepy Čejkovice, vinařské družstvo	P	17.22
	2. Císařské sklepy Čejkovice, družstvo	n/a	n/a
	3. Družstvo božických vinařů	P	n/a
Cyprus	1. SODAP (Co-operative Organisation of Wine Products Supply Ltd)	S	8.065
France	1. Val d'orbieu	S	178.617
	2. CVC - Nicolas Feuillate	S	174.13
	3. Union Champagne Saint Gall	S	99.713
	4. Union Auboise	S	93.356
	5. Evoc	S	93.47
Germany	1. Württembergische Weingärtner-Zentralgenossenschaft eG	P	87.533
	2. Moselland eG Winzergenossenschaft	P	62.863
	3. Badischer Winzerkeller eG	S	50.576
	4. Winzergemeinschaft Franken eG	P	29.661
	5. Deutsches Weintor eG	P	27.939
Greece	1. Union of winery co-operatives of Samos	S	2.24
	2. U.A.C. of Peza	S	26.12
	3. Winery Co-operative of Tirnavos	P	10.043
	4. U.A.C. of Heraclion	S	52.32
	5. U.A.C. of Thiras' Products "Santowines"	S	6.297
Hungary	1. SECRETUM Agrár, Termékbeszerző-értékesítő és Szolgáltató Szövetkezet	P	1.544
	2. Balatonboglári Pinceszövetkezet	P	0.861
	3. Arany Sárfehér Szőlő és Bortermelők Szövetkezete	P	0.823
	4. Debrővin 2004 Szövetkezet	P	0.391
Italy	1. Riunite & CIV S.C.A.	P	415.252

	2. CAVIRO S.C.A	S	245.943
	3. CAVIT S.C.	S	136.12
	4. Mezzacorona S.C.A.	P	144.813
	5. LA VIS S.CA.	P	99.297
Luxemburg	1. Les Domaines De Vinsmoselle, Societe Co-operative	S	24.2
	2. Protvigne association agricole	S	n/a
	3. Luxlait Association Agricole	P	64.3
Malta	1. Organizzazjoni Produtturi Gheneb ghall-Inbid	n/a	1.51
	2. Farmers Wine Co-operative Limited (Not active)	n/a	0
Netherlands	1. Cooperatief Verenigde Achterhoekse Wijnbouwers	n/a	n/a
Portugal	1. Carmim,CRL	P	25.305
	2. Redondo,CRL	P	19.477
	3. Borba,CRL	P	17.858
	4. Caves Santa Marta	P	15.545
	5. Monção,CRL	P	13.051
Romania	1. Cooperativa Agricola Sarba Vin Divin	P	n/a
	2. Cooperativa Agricola Viti-Vinclub	P	n/a
Slovenia	1. Vinska klet "Goriška Brda" z.o.o., Dobrovo	P	14.935
	2. VINAKRAS z.o.o. Sežana	P	3.991
	3. KZ Vipava	n/a	n/a
	4. KZ Ormož	n/a	n/a
	5. KZ Krško	n/a	n/a
Spain	1. Bodegas Asociadas Cooperativas S. Coop de C-LM (BACO)	S	29.8
	2. Sociedad Cooperativa Agraria Vinicola Virgen de Las Viñas	P	37
	3. Viñedos de Aldeanueva S. COOP.	P	21.555
	4. Bodegas San Valero S. Coop.	n/a	18.31
	5. Soc. Coop. Cristo de la Vega	P	17

*: 2010 or latest year available

Table 5 The most important farmers' co-operatives in the wine supply chain in EU-27[4]

	Name of the Co-operative	**Country**
1	Riunite & CIV S.C.A.	Italy
2	CAVIRO S.C.A	Italy
3	Val d'orbieu	France
4	CVC - Nicolas Feuillate	France
5	Mezzacorona S.C.A	Italy
6	CAVIT S.C.	Italy
7	Union Champagne Saint Gall	France
8	LA VIS S.CA.	Italy
9	Union Auboise	France
10	Evoc	France
11	Württembergische Weingärtner-Zentralgenossenschaft eG	Germany

[4] This table includes the largest, in terms of turnover, wine co-operatives at EU level. However, since in all country reports only the five largest co-operatives are listed, some co-operatives may not appear on this list.

4 Assessment of developments among co-operatives

4.1 The institutional environment

Agricultural co-operatives are prominent in the European wine sector both in terms of their number, farmer-members, and role in the coordination of the wine supply chain (Graphs 6 and 7). Yet, their competitive position is rather weak in comparison to IOFs in the sector. Several European wine co-operatives are vertically integrated firms involved in all or most stages of the wine supply chain from provision of inputs to farmers to retailing. However, the vast majority of co-operatives simply take the grapes from their members and produce wine that they sell mostly in bulk; that is, they do not capture the high added value of branding and retailing. Wine cooperatives often act as the "last resort buyer". In other words, members sell their top quality grapes to investor-owned wineries and provide the cooperative with whatever is left. This practice leads to low quality wines that suffer in the market place and spoils the co-operative's brand name. Usually, wine co-ops buy the grapes from their members at market prices. Then the surpluses, if any, are distributed to members according to patronage. Implementing strict quantity and quality rules (e.g., require that members bring all their production to the co-operative) and providing members with the right incentives to adhere to these rules are critical for the survival of cooperative wineries. In case a co-operative markets very high-quality, aged wines, still it pays its members the regular market price for the grapes they deliver. When the co-operatives sells the produced wine at a premium price (sometimes many years after the grapes were harvested), the generated surpluses and/or profits are distributed to current members in proportion to patronage[5].

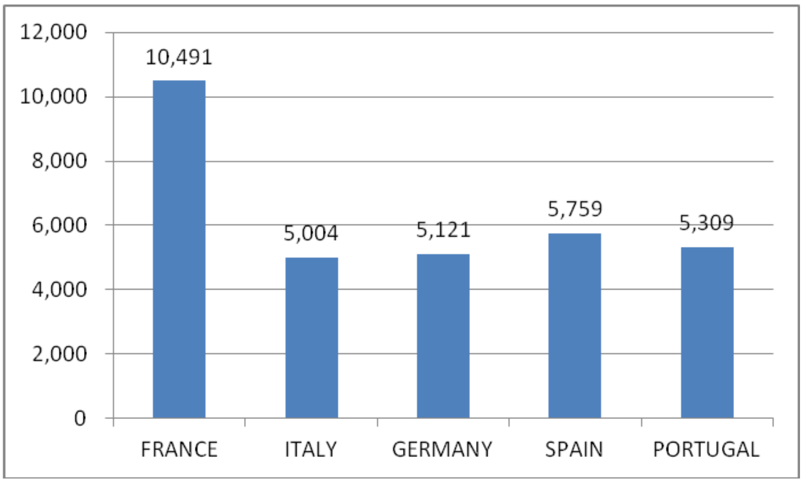


Figure 7 Number of members in the top-5 wine co-operatives of the major EU wine producing countries

The above sketched picture of wine co-operatives is in line with the highly fragmented wine supply chain in most, if not all, EU wine producing countries.

[5] Alternatively, the co-operative's general assembly may decide to invest all or part of these surpluses/profits in achieving the co-operative's goals.

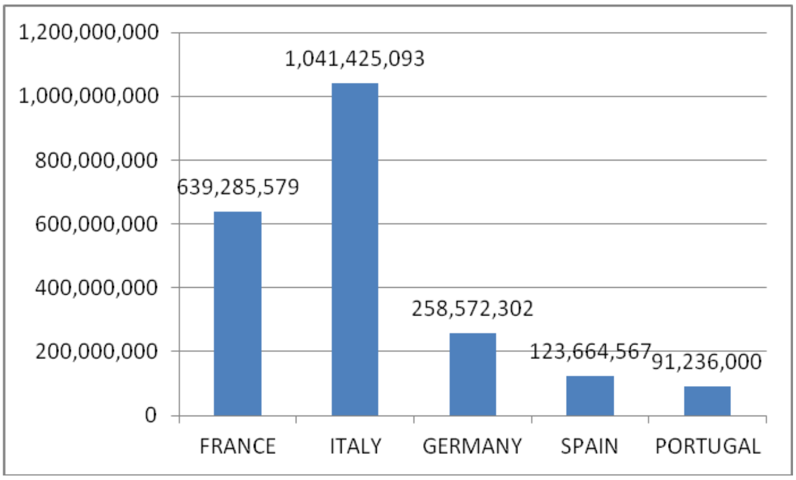


Figure 8 Total turnover of top-5 wine co-operatives in major EU wine producing countries (2009)

Most top-5 wine co-operatives in all of the major EU wine-producing countries focus on processing activities. French co-operatives also provide their members with necessary farm inputs, while this is not common in Italy, Germany, or Spain (Table 7).

Table 7 Main functions of the top-5 wine co-operatives in selected countries (2010)

	France	Italy	Germany	Spain (out of 4)	Portugal
Production (on-farm)	0	0	0	1	0
Farm Machinery	0	0	0	0	0
Marketing (processing)	5	5	5	3	5
Supply of farm inputs	4	0	0	0	1
Credit	0	0	0	1	0
Insurance	0	0	0	0	0
Plant/animal breeding	0	0	2	0	0
Water supply	0*	0	0	0	0
Soil/nature conservation	0*	0	0	0	0

*: Out of one co-operative

In terms of sales, wine co-operatives are less dominant than, e.g. dairy co-operatives in the respective sector. In comparison to other sectors, the sales of the top-5 wine co-operatives are higher in some countries but lower in other. For example, the sales of the top-5 Spanish olive oil co-operatives in 2009 was € 786.5 million figure much higher than the corresponding one for wine co-operatives (€ 123.6 million). The reverse picture is observed in Italy where the top-five olive oil co-operatives had in 2009 a moderate turnover of € 79.4 million when compared to the € 1 billion turnover of the Italian top-5 wine co-operatives.

Wine co-operatives command significant market shares in Spain, Austria, France, Germany, Italy, Portugal, and Greece. Yet, interpretation of the reported statistics should be made with caution because in many cases, market shares are calculated at the farm gate, not at retailing where most of the added value resides. According to this study, EU farms producing grapes for wine making can be grouped into three country sets. In the first group of countries (Cyprus, Greece, Portugal, and Romania) farms are less dynamic and lag behind in commercial orientation. The second group includes countries like Germany, France, Luxemburg, the Czech Republic, and Austria, with professionally organised commercial farms. Finally, the third group is comprised by Italy and Spain where the average farm size, economic size, net worth and net income are characterised as moderate. While hypothesising about the causal links between structural farm characteristics and business success at the co-operative level is difficult, it becomes apparent that performance at the farm level may not be disconnected from overall co-operative performance.

Despite their significant market shares, wine co-operatives in most EU countries suffer from fragmentation. Many small co-operatives serving local or niche markets is a typical phenomenon in Europe. Allowing the poor financial performance of wine co-operatives in some countries to enter the picture, one can easily track the reasons behind co-operatives' inability to benefit from investments downstream the wine supply chain.

The significant amounts of risk capital required in order to invest in the high value-added segments of the wine supply chain might explain the reluctance of farmer co-operatives to engage in such segments. Grape growing farms show a negative net investment in the majority of the EU's wine-producing countries as well (Table 2, Section 2.4 of this report). Consequently, farmers do not have the amounts of capital required to invest in branding and retailing. At the same time, most, if not all, of these co-operatives are traditional; that is, their ownership structure is characterized by:

- Patronage, residual income and decision rights are restricted to member-patrons;
- Residual income rights are non-transferable, non-appreciable and redeemable;
- Residual income rights are distributed among members in proportion to patronage;
- Decision rights are exercised in a democratic way (one member-one vote, or in proportion to patronage).

Consequently, these organisations are better geared toward defence (Cook et al., 2008). That is, they were by design intended to play a competitive yardstick role in commodity markets rather than invest downstream and capture rents from successive stages of the vertical wine supply chain. The ownership structure described above gives rise to three capital acquisition problems: the free rider, horizon, and portfolio constraints (Cook, 1995). Due to their vaguely-defined ownership structure, traditional co-operatives do not provide their farmer-members with incentives to invest in their co-operative. The emergence of various innovative co-operative models in the post-1990 period and in several parts of the world represents attempts to ameliorate the aforementioned constraints (Cook and Iliopoulos, 2000; Chaddad and Cook, 2004). Yet, such innovations in ownership and capital acquisition techniques have not been adopted by European wine co-operatives.

In some countries, the observed difficulty of co-operatives to either increase their market shares autonomously or merge with other co-operatives is explained by the fact that wine producing regions are close to consumption centres thus enabling direct marketing of wine to consumers by farmers (e.g., Austria). In some eastern EU countries, the reluctance of grape growers to act collectively might be explained by reference to historical events. In other countries, it is simply the extremely low profitability of grape growing farms that does not allow farmers to invest, even collectively, in high quality wine making facilities. In Hungary, institutional barriers such as the inflexible new labour legislation may hinder co-operative investment in vertical integration, even though the EU financial contribution may cover the cost of restructuring of vineyards up to 75%.

Even in small countries, like Luxemburg, where wine co-operatives lead the whole wine supply chain, the highest quality of wine is marketed directly by individual farmers, not co-operatives.

During the last two decades, Portuguese wine co-operatives have been losing market share to IOFs. This development is attributed mainly to the entrance of very dynamic, innovative, vertically integrated wine making companies in the sector.

In Italy, the performance of wine co-operatives is much better than the performance of co-operatives in other sectors. For example, large, retail distributors (IOFs) account for about 2/3 of wine sales. This percentage reveals that co-operatives have a long way to go. Yet, it is lower than the percentage of sales by large retail distributors for all agricultural products (70%).

Apart from the challenges currently facing co-operatives due to Europe's wine crisis and the pricing strategies adopted by large retailers, the weak competitive positioning of wine co-operatives cannot be attributed to a lack of policy instruments and incentives provided by policy measures. For example, in Spain, despite the support provided by national and EU policies, producer prices have fallen by more than 40% since 1999.

4.2 The role of co-operatives in the food chain

While most of the top-5 wine co-operatives in France, Italy, and Germany view marketing branded wine as their major goal, only one out of the five Spanish co-operatives engages in selling branded wine (Appendix, Table 1). At the same time, European wine co-operatives are very active in selling wine in bulk; even those that focus on high quality, branded wine, they also make a part of their sales in bulk wine. That is, despite the fact that experts recommend additional investment in downstream activities closer to the final consumer of branded wine, co-operatives still make a very significant part of their income through selling wine in bulk. In the bulk wine market, co-operatives hold a strong competitive position in most EU wine producing countries.

In terms of their total turnover, the top-5 wine co-operatives in all major wine producing countries of the EU have improved their competitive position since 2000. In some of these countries the improvement was considerable while in other countries negligible (Graph 8).

The significant increase in the turnover of most top wine co-operative in the EU, however, was not matched by a parallel improvement in the financial performance of co-operatives (Table 8). While wine co-operatives in most countries reduced their debt to equity ratios, their reliance on debt capital remained a heavy burden.

Despite the fact that, when considered in couples, most wine producing countries of the EU share common borders, no transnational co-operative has been organised yet. Maybe this lack of co-operation is related to the high variance in quality and taste of wines produced even in adjacent regions of the same country.

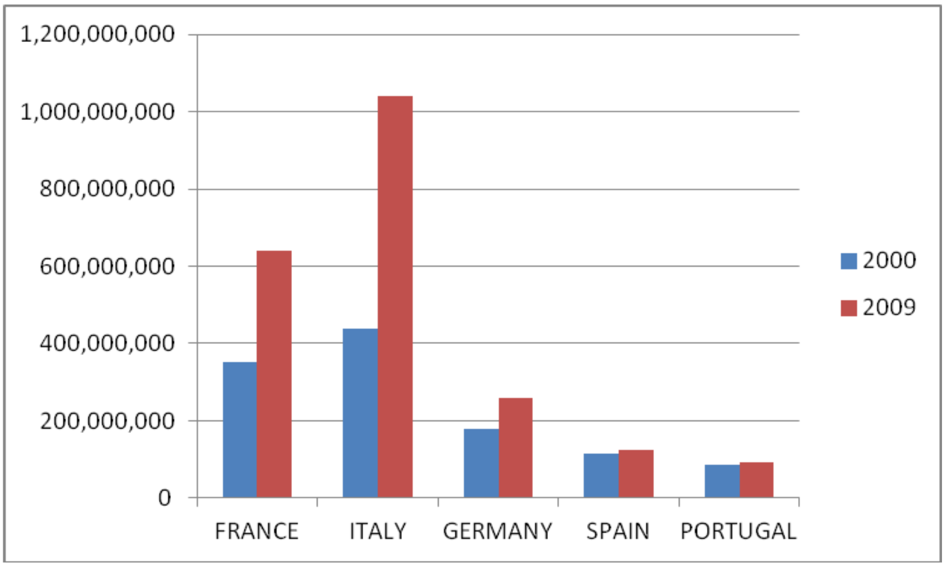


Figure 9 Total turnovers of top-5 wine co-operatives per country, selected countries (2000, 2009)

Table 8 Average leverage ratios of top-5 wine co-operatives per country, selected countries (2000, 2009)

	2000	2009	% Change
France	0.50	1.14	128%
Italy	3.35	3.31	-1%
Germany	n/a	0.03	n/a
Spain	3.01	2.23	-26%
Portugal	3.34	1.58	-53%

The marketing strategies adopted by the top-5 wine co-operatives of each country do not differ significantly (Table 9). A mix of cost leadership, differentiation and focus strategies seem to serve the needs of these firms. The combination of the cost leadership and differentiation strategies indicates the reliance of most top-5 co-operatives on bulk wine and branded wine sales. The focus strategy is adopted by two of the top-5 co-operatives in all major EU wine producing countries except Portugal.

Table 9 Marketing strategy adopted by the top-5 wine co-operatives per country

	Cost leadership	Differentiation	Focus
France	2	5	2
Italy	1	4	2
Germany	3	2	2
Spain*	2	2	2
Portugal	5	5	0

*: Out of two co-operatives

Most of the top-5 wine co-operatives focus on selling branded products as they realize that this is the only means to improving the percentage of total product value enjoyed by their farmer-members (Table 10).

Table 10 Sales of branded products as a percentage of total sales by top-5 wine co-operatives, selected countries (2010)

COUNTRY	% OF BRANDED CONSUMER PRODUCTS SALES		
	>40%	<40%	n/a
France	5	0	0
Italy	3	1	1
Germany	5	0	0
Spain	3	1	1
Portugal	5	0	0

Diverse growth strategies are also adopted by wine co-operatives across Europe. In Portugal, all of the top-5 co-operatives are autonomous in terms of growth strategy, i.e., they are trying to increase their returns without reliance to M&As. In France and Italy, all co-operatives (except one in Italy) use autonomous growth strategies. However, several cases where multiple strategies have been adopted exist. Two co-operatives in France and four in Italy are trying to expand by merging with other co-operatives or acquiring other companies. In Spain, one out of five co-operatives is trying to expand by M&A, while in Germany all top-5 co-operatives follow multiple strategies.

The importance of controlling supply and ensuring high quality of primary inputs is highlighted by the contractual arrangements adopted by wine co-operatives across Europe. In all top-5 wine co-operatives in the main wine producing countries of the EU (France, Italy, Spain, Germany, and Portugal), members sign marketing agreements with their co-operatives. These agreements are contracts that legally bind farmers to their co-operative; members are obliged to deliver their produce to the co-operative. The co-operative or an independent company, in some cases, assesses the quality of grapes and producer-members are paid accordingly. The availability of alternative marketing channels to farmer-members does not seem to influence the adoption of co-operative-member marketing agreements by wine co-operatives (Table 11).

Table 11 Availability of alternative marketing channels to farmers

COUNTRY	**Do farmer-members have marketing alternatives (other than their co-operative)?**		
	YES	**NO**	**n/a**
France	3	2	0
Italy	4	1	0
Germany	5	0	0
Spain	1	2	2
Portugal	0	5	0

4.3 Internal Governance

Several aspects of the internal governance system adopted by the top-5 wine co-operatives in EU countries have been studied.

The top-5 wine co-operatives in France and Spain have assigned the operational management to professional managers. On the other hand, in Portugal and in four of the top-5 co-operatives of Italy the board of directors is responsible for day-to-day operational management. In Germany, two co-operatives have assigned operational management to professionals whereas the operational management in the remaining three co-operatives is performed by the board.

Most wine co-operatives prefer the one-tier board structure with executives and supervisors in one board. More specifically, in Italy, Spain, and Portugal, all top-5 co-operatives have adopted the one-tier structure. Also in France all co-operatives except one have one tier structure. All top-5 German wine co-operatives, though, have adopted a two-tier structure where the board of directors is a separate body from the supervisory committee.

Usually, the formation, role and duties of the Supervisory Committee are described in the co-operative legislation of each country. This is depicted in the data provided by national co-operative experts on the top-5 wine co-operatives. For example, in Italy and Portugal there is no Supervisory Committee in any of the top-5 co-operatives. On the other hand, in each of the top-5 co-operatives in Germany there is a Supervisory Committee. Finally, the presence of a supervisor committee is reported in one out of five co-operatives in France and in one out of two co-operatives in Spain.

In terms of the rules adopted in voting for members of the board of directors, the personal expertise of candidates is of utmost importance in Germany and Portugal while regional representation is the most important criterion in France. In Spain, both criteria are taken into account (Table 12).

Table 12 Election rules adopted by top-5 wine co-operatives by country, selected countries

COUNTRY	ELECTION RULE			
	Personal Expertise	Regional Representation	Product Group Representation	Other

France	0	5	0	0
Italy	2	1*	0	1
Germany	5	0	0	0
Spain**	1	1	0	2
Portugal	5	0	0	0

* For one co-operative it is reported that both the personal expertise and the regional representation are important during the election of the BoD.

** Based on data from three out of five wine co-operatives.

The voting rule implemented by most wine co-operatives is the one-member, one-vote rule. More specifically, in Italy, Germany, and Portugal, this rule is adopted in general assembly and board meetings by all top-5 co-operatives. In France and Spain, the "one -member, one-vote rule" is applied in four out of five and in two out of three co-operatives, respectively. In the few cases where proportional voting is allowed, the volume of member transactions is used as the sole criterion in allocating proportional voting rights.

4.4 Expert assessment of developments

Wine co-operatives have performed satisfactorily in most European wine producing countries. Their initial, primary mission was to combat perceived market failures that resulted in major inefficiencies along the wine supply chain. In most countries agricultural co-operatives have provided a successful organisational means to achieving this goal. Of course, neither all co-operatives nor all co-operatives in each country have performed equally well. Despite such variance in performance, based on the analysis presented in this report as well as information provided by national co-operative experts, some general conclusions can be drawn.

- The achievement of the goal initially set by most co-operatives, i.e., the amelioration of the extremely negative consequences of market failures, was not always followed by a much needed change in focus. More specifically, wine co-operatives have not yet invested significantly in downstream parts of the wine supply chain so that they can sell more branded wines and thus capture a much higher percentage of the total generated value.
- Several reasons may explain this reluctance: first, the structural characteristics of grape growing farms that deprive farmer-members from the risk capital necessary for entering capital-intensive parts of the wine supply chain. Equally important is the ownership structure of traditional wine co-operatives that act as disincentives to members, and potentially non-members, interested in investing significant amount of money in co-operatives. Market characteristics also play an important role in some cases. For example, proximity of production to consumption regions enables direct sales to consumers by individual farmers thus stealing co-operatives of their potential intermediary role. Finally, historical reasons (e.g., government intervention) provide an explanation of the low performance scores of wine co-operatives in some of the countries considered in this study.
- The structural characteristics of grape-growing farms are not disconnected from the poor performance of co-operatives in some countries. For example, in some of the southern European countries (e.g., Cyprus, Greece), negative net investment and very low average farm income per farm might partially explain the poor performance of wine co-operatives.

Wine co-operatives seem to perform satisfactorily when:

- Governments do not interfere in co-operatives' internal affairs or use them as a means of implementing public policies.
- Co-operatives have organized structures that enable them to maximise the absorption and utilisation of various types of public (national or EY) subsidies and structural funds available. Governments could facilitate this process by providing coordination and educational services, particularly at the regional level.
- Co-operatives are open to adapting their organisational structure to the demands of their external environment. As in any other type of business, co-operatives need to discuss with their members organisational alternatives that might better fit the strategic needs of their co-operative.

Wine co-operatives in most European countries have come a long way since their formation in the late 19th and early 20th centuries. Neither their successes nor their failures should stand between them and a successful future. Given the international trends in the production and consumption of wine, among which the competition from inexpensive New World wines is probably the most important, European wine co-operatives need to invest in brand recognition and, more generally, in downstream parts of the wine supply chain. The EU measure of promotion of wines on third country markets may be a tool in this sense. In this way they will improve their ability to serve their members from a stronger competitive position.

5 Overview of policy measures and assessment of the influence of policy measures on the evolution and current position of co-operatives

5.1 Introduction

The performance of co-operatives is influenced by the regulatory framework. This framework is multi-level: EU regulations, national laws and–in some countries-even regional policies influence the business and operational choices available to co-operatives. In this chapter we look especially at the regulatory framework that influences the competitive position of wine co-operatives vis-à-vis investor-owned firms (IOFs) and other players in the wine supply chain.

The objective of this chapter is to identify support measures that have proved to be useful in supporting wine co-operatives. In section 4.2 the relevant policy measures and their potential impact on the wine sector are identified. In section 4.3 an assessment of the policy measures is given.

5.2 Overview of regulatory framework including fiscal and competition issues

The table below identifies the policy measures that influence the competitive position of co-operatives vis-à-vis IOFs or other players in the wine supply chain.

Table 13 Most relevant policy measures and especially analysis of regulations, fiscal and other types of support specific to the sector

Country	Score	Policy Measure Name	Policy Measure Type	Regulatory Objective	Policy target	Expert comment on effects on development of the co-operative
AT	2	Tax Law	**Inducement** - Financial and other incentives	- Attainment of equity or social goals	- Applicable to business in general	Tax exemptions for special types of co-operatives and specific trade or processing functions. Agricultural marketing and processing co-operatives (dairy, wine, fruit and vegetable) which are selling their members` products after having refined or processed them are excluded from corporate income tax if certain economic and financial conditions are prevailing. But, this tax exemption works only for a limited share of the regular business of the above mentioned types of co-operatives.
BG	NA	Law for Wine and Spirits	Inducement	Correction of market or regulatory failures	Wine Specific	Art 67 (1), 5 – State Fund Agriculture may finance the establishment of the wine co-operatives.
DE		Tax Law	**Inducement** - Financial and other incentives	- Attainment of equity or social goals	- Applicable to business in	Tax exemptions for special types of co-operatives and specific trade or processing functions. Agricultural marketing and processing co-operatives (dairy, wine, fruit and

					general	vegetable) which are selling their members` products after having refined or processed them are excluded from corporate income tax if certain economic and financial conditions are prevailing. But, this tax exemption works only for a limited share of the regular business of the above mentioned types of co-operatives.
DE		Wine labelling law. Official Gazette Issue I, No 21 of 23-5-2007	Mandate. Incorporation law, and market regulation and competition policies	Correction of market or regulatory failures	Wine specific	The law introduces the concept of the "wine profile" which refers to wines that have been produced under stricter rules concerning viticulture and vinification
ES	1	Royal Decree 244/2009, for the application of measures of the program of support for the Spanish viticulture sector	1. Mandate. Incorporation law, and market regulation and competition policies 2. Inducement. Financial and other incentives 3. Capacity Building	1. Correction of market or regulatory failures 2. Attainment of equity or social goals	2. Specific to wine sector	-Development of program of support for the Spanish viticulture sector for the application of the new normative framework with the object to contribute to competitiveness. The Royal Decree regulates aspects related to the promotion in third country markets, restructuring, reconversion of vineyards, and distillation of sub-products, distillation for consumption and also for specified circumstances. These are actually the national implementing rules for the application of the EU support measures for the wine sector defined in the EU legislation.
ES	2	Order of 23/07/2009, of the local Ministry of Agriculture and Rural Development, which establishes the regulatory bases for the increase of added value of	2. Inducement. Financial and other incentives 3. Capacity Building	2. Attainment of equity or social goals	3. Applicable to business in general (specific to agricultural)	-Concession of aid to agro alimentary businesses that attempt to increase their added value through investments that are related to the transformation and/or commercialisation of specified products. -This aid is available to both physical and legal persons that transform and/or commercialise agricultural products in establishments within Castilla-La Mancha. The point system upon which aid is granted is an objective system according to a competitive process. However, within such 15 point system, 5 of such points are related to projects proposed by co-operatives or inter-co-operative

		agricultural product and the promotion of agro alimentary quality (FOCAL) (Community of Castilla-La Mancha)				agreements and one of the criteria of the point system is the prioritisation of the olive oil and wine sectors.
GR	4	Ministerial Decree Official Gazette Issue B No578/2011)	**2.** Inducement. Financial and other incentives	Attainment of equity or social goals	Specific to wine sector	A state guarantee offering program to bank loans of wine co-operatives. In fact this is a highly anti-competitive subsidy, often being criticised by farmers who are not members of co-operatives and all IOFs.
GR	3	Regulation (EC) No 479/2008 – This Regulation was repealed through Regulation (EC) No 491/2009, amending Regulation (EC) No 1234/2007	**2.** Inducement. Financial and other incentives	Correction of market or regulatory failures	Sector Specific	The Single CMO Regulation includes an aid scheme for promotion of wines to third countries. Several wineries have been benefited by the provisions of the new CMO some of them are co-operatives. However, co-operatives' participation is rather limited as only 12 % of the allocated budget has been claimed by wine co-operatives
GR		**Law 2810/2000 Article 39** Definition and special treatment of "mandatory agricultural co-operatives"	Mandate. Incorporation law, and market regulation and competition policies	Attainment of equity or social goals	Co-operative specific	Mandatory agricultural co-operatives were first formed in the early 1930s, when national legislation enabled their establishment. While co-operative scholars conceive them as being anti-co-operative, some of them are among the most successful agricultural co-operatives in Greece. Current legislation makes the sale of particular agricultural products through these co-operatives mandatory. As a result, these co-operatives can successfully address free rider issues, control the supply of a product and thus improve their positioning in their food supply chains (e.g., the mastic gum co-operative of Chios).
SI	-1	National acts	1. Mandate	Correction of market	Sector specific	In national acts governing the certain agricultural products

		regulating the market order for certain agricultural products		or regulatory failures	(wine also)	market orders (i.e. Fruits and vegetables, vine, olives, hops, etc) it was set, that only those co-operatives, which are specialized for specific group of products, can become a producer organisation. This has resulted in an additional organisational structure which was in many cases only formed for the purposes of the CAP measures and is not active any more today.
SK	-2	Tax policy	Market regulation and competition policies System Changing	Attainment of equity	- Specific to co-operatives - Specific to an agricultural sector - Applicable to business in general	There is a government proposal to increase consumption tax on Wine (0.4 €/l) which will have negative influence on local wine producers (POs).

5.3 Expert assessment of impact of policy measures

Before attempting an impact assessment of the policy measures in the wine sector, it is important to note that the following observation must be made: the regulatory impact within EU-27 is affected by the differences in the political context in which each country operates. This means differences in the bureaucratic organisation of each member state, i.e. administrative processes, governments' ability to successfully implement EU policies, etc. For a variety of reasons therefore, the outcomes of the diffusion of policy measures may differ markedly. At the EU-27 level, the 2008 reform of the Common Market Organisation for Wine aims at ensuring a balance between supply and demand, increasing the competitiveness of European wines in the world market, and preserving the quality and traditional characteristics of European wines. The effects of the reform are yet to be seen. At a more regional level, experts 'evaluation of wine-specific national policy measures on co-operatives' performance reveals that only a few policies have a significant effect on co-operative performance (see Table 13).

Therefore, drawing conclusions on the effectiveness of policy measures at the EU level is very difficult. This is primarily because the various policy measures are implemented in different ways in each Member-State. In some countries, the aforementioned measures are implemented at different times and in different ways in each region of the country (e.g., Spain).

Another constraint that makes difficult to draw conclusions is that many policy measures, at the regional, national, or EU level do not target co-operatives and/or a particular sector exclusively. If co-operative specific policies were implemented, we could draw conclusions on whether the co-operatives of a sector have benefited more than other types of businesses. Yet, no hard evidence or statistical backup is available on this issue.

Finally, the impact of co-operative legislation on co-operatives, which is not discussed in this report, may have far more important consequences for co-operatives' competitive position vis-à-vis their competitors than sector specific regulations/measures. For example, agricultural co-operatives in Spain can apply for incorporation at either the federal or regional level. Being incorporated at the national level would enable better coordination and more efficient implementation of regulations and laws. However, only co-operatives incorporated at the regional level have access to numerous forms of support given by some of the regional governments. Therefore, many co-operatives prefer to be incorporated at the regional level despite the abovementioned co-ordination problems encountered in implementing EU regulations.

The following assessment of policy measures is based on the country reports conducted in Theme 3 of the Support for Farmers' Co-operatives study, the available literature, and personal communication with the authors of country reports.

AUSTRIA/GERMANY: For both Austria and Germany the most relevant policy measure identified in the country reports is the Taxation legislation. The tax system in Austria and Germany offers tax exemptions for wine co-operatives (as for all other agricultural marketing and processing co-operatives). However, according to the country reports, the limits imposed by the legislator are exceeded by most co-operatives in the sector. Therefore, wine co-operatives are not benefited.

According to industry experts, wine co-operatives have been benefited by the wine labelling legislation that introduced the "wine profile" concept according to which, the terms "Classic" or "Selection" wines can appear on the label given that certain requirements, related to origin and quality, are met. The new labelling system, in accordance with the EU requirements, provided wine co-operatives with a new marketing tool, in order to compete in the demanding environment created by German retailers who ask for large quantities. Small-scale wine co-operatives have been granted the opportunity to add value to their products, however the strict requirements of the labelling system is challenging the traditional business models adopted by co-operatives. Co-operatives' strategies have to be adjusted to overcome inefficiencies that are often related to traditional cooperative models. Scholars suggest that the implementation of "strategic member groups" with homogeneous interests within wine cooperatives is positively correlated with improved cooperative performance (Hanf and Schweickert, 2007)

BULGARIA: In Bulgaria, the national legislation for wine and spirits offers funding opportunities for the formation of co-operatives. However, wine professionals in Bulgaria question the impact of this provision on the formation and performance of cooperatives, due to the general mistrust toward co-operatives in the country.

SPAIN: Funding opportunities for wine co-operatives are available also in Spain, mainly targeting investments that promote quality and product commercialization. According to information from the country report and additional input acquired by directly contacting the sector expert in Spain, the Royal Decree 244/2009, of February 27 places an emphasis on competitiveness. Although not specific to co-operatives, given the large market shares that wine co-operatives have in Spain and the fact that most co-operative wines are sold in bulk, these policy measures should have an effect on wine co-operatives, but this is difficult to quantify. The same holds true for the Promotion to Third Countries Programme. Under this measure, 464 programs in more than 30 countries have been approved with an investment of € 160 million. For 2011, 760 programs and an investment of 84 million Euros are expected. Again, quantifying the effects of these Programmes on wine co-operatives is not an easy task, mainly because the results of such promotion programmes can be realized in the long-run. So far, the commercialization of product from co-operative wineries continues to be quite insignificant compared to the industry in general and represents one of the main problems of co-operative wineries. Deficiencies in management of the co-operatives which produce mainly bulk and low quality wines, is acknowledged by wine scholars as being the key reason that inhibits co-operative competitiveness in the wine sector (Martínez-Carrión and Medina-Albaladejo, 2010).

GREECE: In Greece, two sector and one co-operative-specific measures have been identified. The co-operative specific measure refers to the existence of mandatory co-operatives. These types of cooperatives were introduced in the 1930s to control supply of a certain product and ensure its positioning in the supply chain, since legislation made the sale of particular agricultural products through these co-operatives mandatory Although the nature of these co-operatives has been questioned by both co-operative scholars and business experts, some of the most successful co-operatives in Greece belong to this group. Among them, the Union of Viticultural Co-operatives of Samos consists of 26 mandatory co-operatives representing all the wine growers of the Samos Island.

A second, sector specific, policy measure refers to the programmes offered to Greek wine makers, as part of the EU measure included in the national support programme of Greece, to promote their wines to third country markets. Co-operatives' participation in the Programme is rather limited as only 12% of the allocated budget has been claimed by co-operatives. According to industry experts the relatively low cooperative involvement in the Programme maybe attributed to the fact that substantial private funding is a prerequisite for entering the aid scheme. The proposing organisation has to participate to the funding of the programmes to a level of at least 20%. This is because, for the promotion measure, the EU funding may be up to 50% of the cost of the programme and State aid may also be granted. Greece is granting State aid; a 30% of State aid in addition to the 50% EU support for all the promotion programmes. Despite these very favourable conditions, co-operatives' participation in the Programme is rather limited as only 12% of the allocated budget has been claimed by co-operatives. According to industry experts the relatively low cooperative involvement in the Programme maybe attributed to the fact that substantial private funding is a prerequisite for entering the aid scheme. As argued by these experts, the financial crisis that currently hits Greece makes State contribution rather impossible. At the same time, the very poor financial situation of many wine co-operatives prevents them from securing self-financing or bank loans to cover the non-EU funded part of the Programme. The third, sector-specific measure is a state guarantee-offering programme for bank loans to wine co-operatives. The measure concerns credit facilitation for the purchase and collection of the 2010 grape harvests. The amount of credit facilitation sums up to € 10 million for cooperatives and € 5 million for IOFs. This measure has received heavy criticism by farmers and wine makers who are not cooperative members The latter support that the measure provides preferential treatment to co-operatives and creates market disturbances, especially since it is suitable mainly for low-quality grapes, that most private wineries that produce quality wines have no use of.

SLOVENIA: following the effect of a national legislation for certain markets, new co-operatives were formed but their establishment was short-lived since they were created just to be able to make use of certain policy measures. Nevertheless, there are currently 10 active producer organisations in Slovenia and all of them were recognized since 2004. Some of them are currently beneficiaries of the EU measure for the promotion of wines on third-country markets. In addition, since 2009 acquiring the "PO" status is not a necessary condition for benefiting of a support measure (such as promotion), therefore some undertakings could also have made use of available funding even if not recognized as POs.

SLOVAKIA: a consumption tax on wine imposed by the taxation system is expected to negatively affect sales and impose an extra burden to local wine producers.

6 Discussion

While the information and policy assessments presented in this report are useful for policy makers and practitioners, it is characterized by the following shortcomings. First, due to the fact that several chapters or sections are primarily or exclusively based on material gathered by national experts in the country reports of Theme 3, the reported information carries on the limitations of those data. Missing data on the top-5 co-operatives of the sector for 2000 and/or 2010, in some cases, made comparisons cumbersome. At the same time, the country reports included different sets of information that did not always allow a meaningful comparative analysis of the sector in the wine producing countries. Second, country reports addressed sector issues primarily from an industry perspective but not from a co-operative one. Consequently, in some cases very little information was available on, e.g., the performance of co-operatives in a particular region. Unfortunately, the academic literature on this is rather poor and mass media articles are available only in the locally spoken language. Another consequence of the primarily industry focus of country reports is that policy measures were not assessed in terms of their impact on the co-operatives and POs of a particular sector. Thus drawing conclusions on the effectiveness of particular policy measures and the intervening factors was nearly impossible. The help of national experts, who were conducted after this gap was identified, was indispensable in completing this report.

Given the aforementioned shortcomings, future research is highly needed in order to inform policy makers at the EU level. Among the topics that deserve special attention the following seem of a higher priority:

- Inter- and intra-country comparative assessment of public policies and measures toward co-operatives, POs, and other forms of collective entrepreneurship.
- Governance of particular supply chains from the producers' perspective. The results of this research program would inform policy makers about how alternative governance structures interact with particular policy measures.
- Which new, innovative models of collective action and under what conditions would maximize the final product value captured by primary producers-members? This is a particularly crucial question to address for the wine sector.

Conducting in-depth research in order to address these topics rests on the regular collection of primary data on agricultural co-operatives and POs in all EU countries and at the sector and policy levels. Only if informed by reliable, primary and detailed data would the results of research be highly useful to policymakers, farmers and their co-operatives.

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APPENDIX

Table 1 Position of top-5 wine co-operatives per country in the food supply chain

	France				Italy				Germany				Spain				Portugal				Greece			
	Not relevant	Relevant	Most relevant	n/a	Not relevant	Relevant	Most relevant	n/a	Not relevant	Relevant	Most relevant	n/a	Not relevant	Relevant	Most relevant	n/a	Not relevant	Relevant	Most relevant	n/a	Not relevant	Relevant	Most relevant	n/a
Providing a market	5	0	0	0	4	1	0	0	5	0	0	0	0	2	2	1	5	0	0	0	5	0	0	0
Collective bargaining	0	0	5	0	4	1	0	0	5	0	0	0	0	2	1	2	5	0	0	0	5	0	0	0
Collecting farm products	0	0	5	0	4	1	0	0	5	0	0	0	0	3	0	2	0	5	0	0	1	4	0	0
Primary processing	5	0	0	0	2	3	0	0	2	3	0	0	0	4	0	1	0	5	0	0	4	1	0	0
Secondary processing	0	0	5	0	0	1	4	0	0	0	5	0	0	2	1	2	0	5	0	0	0	0	5	0
Commodity Marketing	1	4	0	0	4	0	1	0	1	4	0	0	1	1	1	2	0	5	0	0	2	3	0	0
Marketing branded products	0	0	5	0	0	1	4	0	0	0	5	0	2	0	1	2	0	5	0	0	0	0	5	0
Wholesaling	5	0	0	0	1	3	1	0	5	0	0	0	1	1	1	2	5	0	0	0	5	0	0	0
Retailing	5	0	0	0	2	2	1	0	0	5	0	0	2	1	0	2	5	0	0	0	3	2	0	0
Both Supply / Marketing	0	0	0	5	0	0	0	4	5	0	0	0	0	0	0	5	4	0	0	1	0	5	0	0
Other	5	0	0	0	5	0	0	0	5	0	0	0	2	0	1	2	4	1	0	0	5	0	0	0